



**CITY OF NEW HAVEN
BOARD OF ALDERMEN**

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Dear Fellow Members of the Board of Aldermen,

I am writing on behalf of over 500 residents living at 360 State Street, over 1000 New Haven residents in every Ward who have invested in Elm City Market as member-owners, and hundreds of New Haven residents living in every Ward who have their retirement funds invested in 360 State Street through the Multi Employer Property Trust, all of whom are in need of our action in a tax issue with big ramifications for economic justice and the quality of life in New Haven.

The problem concerns 360 State Street, which as you know is a 32-story apartment building completed last year on the site of the former Shartenberg department store. 360 State Street represents a very promising kind of development for this city. The building has won accolades for its transit-oriented sustainable design while bringing new residents and resources into the city center. Its ground floor houses the Elm City Market, a food co-op owned by hundreds of community members that's dedicated to improving the lives of our under-served residents of downtown.

360 State Street is a pension fund owned building. Its owner, MEPT (Multi-Employer Property Trust), is a union pension fund that invests in properties across the US, funding the retirements of thousands of American workers. At a time when many retirement plans have been cut back and capital markets have dried up, this project bolstered New Haven's grand list and helped grow new jobs—over 1000 during construction and over 100 permanent jobs – all while delivering fair returns for workers' pensions.

All this is now threatened by an unjustified quadrupling of the building's tax assessment. Here's the background. In 2007 and 2008 the city—using per square foot figures for comparable buildings—projected annual taxes for 360 State (following a five-year phase-in) of \$1.4 million. This figure was the basis on which the project was green-lighted by its owners—and approved by our Board of Aldermen. Those of you serving on the Board at the time will recall that these projected figures were specifically discussed at a public meeting on September 4, 2007. The very next day the City sent a letter to the DECD asserting that “the estimated property taxes... have been closely analyzed by the City's Tax Office, the City Assessor, and the Board of Aldermen and we agree that they are fair estimates of the property taxes at this point in time.” And as late as August 2010, with tenants already moving into the building, the city's Office of Economic Development confirmed their original projections, citing a tax of \$1.4 million at the end of the five-year phase-in.

Last year, however—shortly before he was fired by the Mayor—the city's former assessor quadrupled the projected 2007 assessment. As you can see, the new assessment is totally out of line with comparable buildings:

Property	Assessment/SF	2011 Taxes/SF	% Affordable Units
360 State - current assessment	\$254.21	\$9.88	10%
360 State - City projection	\$70.00	\$2.70	10%
The Eli	\$68.27	\$2.65	
The Liberty	\$70.18	\$2.73	
CenterPointe	\$64.90	\$2.52	
Rowe Apartments	\$40.71	\$1.58	75%
Ninth Square*	\$45.21	\$1.76	40%
Hartford 21*	\$23.43	\$0.91	

* Ninth Square and Hartford 21 have PILOTS, so figures show the equivalent assessment that would require a tax payment in 2011 equal to the pilot. See attached charts for further information.

There are many important reasons why we on the Board of Aldermen should act to fix this reckless assessment. First, as a matter of basic fairness, the city should not represent one rate as a “closely analyzed... fair estimate” when a project is undertaken, then turn around and quadruple it. This is a signal for development that New Haven is not a predictable environment to invest money and bring jobs to our city.

Second, this tax hike will have a devastating impact on the fiscal outlook of the project. At the original projected tax of \$1.4 million, 360 State was already the biggest single grand-list contributor in the city. Quadrupling the building’s tax will decimate the return its pension-fund owners counted on when making the decision to come to New Haven. That’s cash taken *straight from the retirements of hardworking middle class workers like you and I.*

And finally, and in my view most important, this kind of arbitrary tax hike threatens the best interests of the city itself. 360 State was the first major new construction downtown in two decades, and nobody wants to wait another twenty years for the next. But quite honestly, any potential developer who learns that a tax projection can be arbitrarily quadrupled once the building is built will fold up his plans and run as fast as possible in the opposite direction. Yes, the City can squeeze this money out of 360 State – but down the road it’s going to cost all of us, make no doubt about that. As a matter of city policy, New Haven shouldn’t damage its ability to attract future investment.

Settling this dispute through court action could take years, with huge legal fees on all sides; meanwhile, MEPT would be paying exorbitant taxes, and further investment in the city would suffer in a cloud of uncertainty. Even then, there would be no assurance that the original agreement would be honored. Moreover, properties are reassessed every five years, so the process could very well start all over again in 2016.

The Mayor doesn’t have the statutory power to fix this assessment by himself on a long-term basis. But we do. I am convinced that one solution is for the Board of Aldermen to fix the taxes as we did for the Ninth Square project, using our authority under the City and Town Development Act. By exercising this authority we can ensure fairness, save city resources, and restore an atmosphere of trust that will safeguard the future of New Haven.

I would propose we resolve this issue as quickly as possible in a manner as fair for all parties as possible. We need to send a clear signal to future development that New Haven is open for business. I look forward to working as a Board to bring about the best solution together. One that is ultimately fair for all parties involved. As Aldermen we’re empowered to fix assessments and approve PILOTS – actually, we’re the only entity in the city that is empowered to do this. We all want to bring broad-based prosperity to the city while protecting the retirement funds of working people. Let’s rise to the occasion and do so.

Thank you very much. If you have any questions or concerns, please feel free to contact me.

Sincerely,

DOUGLAS HAUSLADEN
Alderman, 7th Ward